

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE**
45 Fremont Street
San Francisco, CA 94105

RH03029826

June 2, 2006

**Title 10
Proposed Revisions to Sections 2632.5, 2632.8 and 2632.11
Optional Automobile Insurance Rating Factors**

Summary and Response to Comments Received During 15-Day Comment Period

Pursuant to Gov. Code § 11346.9(a)(3), repetitive comments are aggregated, summarized and responded to as a group. Comments which were not specifically directed at the proposed regulations or procedures followed in proposing the regulations are irrelevant and have been summarized and dismissed as a group.

Additionally, because some comments reflect a more technical analysis of the proposed regulations, the summaries for those comments were not summarized as a group. Comments in volume 14, which contain a more extensive technical analysis of the proposed regulations have been organized and summarized by comment volume number. The responses to these technical comments have been summarized and organized by common responses, as set forth in the pages that follow.

1.

Volume:Tab Numbers of Corresponding Public Comments:
14:1, 14:3, 14:4, 14:12, 14:17

Summary of Comments:

Where you live and drive should be major factors in calculating auto insurance rates. People in urban areas are more likely to be involved in an accident or become the victim of theft than people in rural areas. Rural communities should not have to suffer rate increases so that urban drivers can see rate decreases. Rural drivers must travel long distances, compared to urban drivers and do not have access to public transportation. The price of gasoline is already too high and people on fixed incomes cannot afford to pay more for insurance.

People living in a particular county will see rate increases as high as XX% due to the proposed regulations.

Response to Comments:

Comments are not directed at the 15-day revisions to the proposed regulations, and therefore no response is necessary. (Gov. Code sections 11346.8(c) & 11346.9(a)(3).)

2.

Volume:Tab Numbers of Corresponding Public Comments:

14:1, 14:2

Summary of Comments:

The regulation text is confusing and difficult to understand. Regulations should be written in plain English, so that the average person can understand them.

Response to Comments:

As the Court of Appeal in the case of *Spanish Speaking Citizens' Foundation v. Low* recognized, the proposed regulations touch upon matters which are technical and complex in nature. The proposed regulations were written in a manner which attempted to minimize technical and complex language to the extent possible. Because the implementation of the automobile rating factors is largely formulaic in nature, however, formulas and technical language were necessary to some extent. The Commissioner believes that the regulations were written as plainly as is reasonably possible, given the complexity of the subject matter that the regulations concern.

3.

Volume:Tab Numbers of Corresponding Public Comments:

14:1

Summary of Comments:

People who live in zip codes that are large (25 miles in length) should receive different rates depending upon whether they live within a rural or urban portion of that zip code, due to differences in claim frequency and severity for the different regions of the same zip code.

Response to Comments:

The existing regulations permit insurers to use either zip code groups or census tract groups for territory rating purposes. While the Commissioner considered promulgating regulations which would allow insurers to define territory boundaries with methods other than zip code or census tract, the Commissioner ultimately concluded that the approach was not feasible.. This is due, in part, to the fact that it would be difficult for the

Department to monitor each insurer's territory rating boundaries if they were based upon criteria that are not easily referenced.

4.

Volume:Tab Numbers of Corresponding Public Comments:

14:5, 14:6, 14:7, 14:8, 14:9, 14:10, 14:11, 14:12, 14:13, 14:14, 14:15, 14:16,

Summary of Comments:

These comments are generally in support of proposed regulations. Comments recommend that seniors with good driving records should not be punished due to their age. Comments touch upon issues unrelated to the proposed action, such as homeowners insurance mold litigation, workers compensation issues, fair claims settlement issues, recommending audits of larger insurance companies and revoking licenses due to "wrong insurance practices."

Response to Comments:

Because these comments are in support of the proposed regulations, and also are not directed at the 15-day regulation text revisions, no response is necessary. (Gov. Code sections 11346.8(c) & 11346.9(a)(3).)

5.

Volume:Tab Numbers of Corresponding Public Comments:

14:15, 14:17

Summary of Comments:

The commentator observes that the 15-day regulation text revisions have increased the number of rating bands from 10 to 20. The commentator indicates that this change does not clarify the difference between rural versus urban zip codes and contends that this is the major issue. The commentator states that many rural motorists have to drive more miles than urban drivers, and that motorists in rural areas have fewer accidents than motorists in urban areas.

Response to Comments:

While increasing the number of rating bands from 10 to 20 does not address the difference in rating characteristics between rural and urban drivers, this rulemaking change will reduce the extent to which policyholders may experience rate disparity across

zip code boundaries. For example, under the existing regulations, the Commissioner has observed substantial variations in premium not only for consumers living within just a few miles of each other, but even for neighbors who live in adjoining zip codes. Thus, in both rural and urban locations, the increase in rating bands will enable insurers to apply rates which do not result in substantial premium differences across zip code boundaries.

Insofar as this commentator contends that rural drivers often have to drive more miles than urban drivers and have fewer accidents than rural drivers, Proposition 103 designates the rating factors that must be most important in determining an automobile rate. Driving safety record must be the most important auto rating factor, followed by annual miles driven, followed by years of driving experience. The proposed regulations seek to implement this requirement of Proposition 103. While the effect of the proposed regulations on a given insured will depend upon the manner in which that particular insured drives, the proposed regulations will uphold the requirements of Insurance Code section 1861.02.

6.

Volume:Tab Numbers of Corresponding Public Comments:

All comments in Volumes 15 and 16

Summary of Comments:

Comment generally provides:

"I strongly oppose the proposed regulation that would make me pay MORE for auto insurance so drivers in the state's biggest cities can pay less. As Insurance Commissioner, I urge you to please drop this ill-conceived regulation."

Some of the commentators have added variations on the comment, above, which are not directed at the 15-day revisions to the regulations. For example, some commentators add that the Commissioner should focus his efforts on "fraud and rip-offs that are going on" rather than promulgate regulations which will adversely affect rural drivers in Northern California. Another commentator suggests that the proposed regulations are not morally honest and favor "political expedience for personal gain." One commentator states that there are more hazards for urban city drivers than for rural drivers. A commentator describes the proposed regulations as "discrimination for rural areas." The comments generally touch upon different themes related to the proposed regulations, but are not directed at the 15-day revisions to the regulations.

Response to Comments:

Comments are not directed at the 15-day revisions to the proposed regulations, and therefore no response is necessary. (Gov. Code sections 11346.8(c) & 11346.9(a)(3).)
